



State of Wisconsin  
2005 - 2006 LEGISLATURE

LRB-1297/P1  
JK/MES/MJL/CTS:/:....  
Wlj

PRELIMINARY DRAFT - NOT READY FOR INTRODUCTION

SOON  
tnd/a

creating individual income tax  
subtract modifications for income and  
capital gains derived from ~~such~~ <sup>the</sup> zones,

1 AN <sup>Gen</sup> ACT ...; relating to: creating rural enterprise development zones and  
2 providing tax incentives to qualified businesses in ~~such~~ <sup>the</sup> zones, making an  
3 appropriation, and providing a penalty.

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***Analysis by the Legislative Reference Bureau***

This is a preliminary draft. An analysis will be provided in a later version.

This bill will be referred to the Joint Survey Committee on Tax Exemptions for a detailed analysis, which will be printed as an appendix to this bill.

For further information see the **state and local** fiscal estimate, which will be printed as an appendix to this bill.

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***The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:***

4 SECTION 1. 20.835 (2) (cm) of the statutes is created to read:

5 20.835 (2) (cm) *Rural enterprise development zone jobs credit*. A sum sufficient  
6 to make the payments under ss. 71.07 (3w) (c) 1., 71.28 (3w) (c) 1., 71.47 (3w) (c) 1.

7 SECTION 2. 38.28 (2) (b) 2. of the statutes is amended to read:

38.28 (2) (b) 2. The most current equalized values certified by the department of revenue shall be used in aid determinations. Equalized values shall include the full value of property that is exempt under s. ss. 70.11 (39) and (39m) and 70.111 (26) as determined under s. 79.095 (3).

History: 1971 c. 154, 211; 1973 c. 90; 1975 c. 39, 224; 1977 c. 29, 418; 1979 c. 34, 221; 1981 c. 20, 269; 1983 a. 27; 1985 a. 29; 1985 a. 332 s. 251 (3); 1987 a. 27, 399; 1989 a. 31, 102, 336; 1991 a. 39, 322; 1993 a. 16, 377, 399, 437; 1995 a. 27 ss. 1812, 9145 (1); 1995 a. 225; 1997 a. 27, 237; 1999 a. 9, 185; 2001 a. 16, 109; 2003 a. 33.

**SECTION 3.** 70.111 (26) of the statutes is created to read:

70.111 (26) RURAL ENTERPRISE DEVELOPMENT ZONE PROPERTY. If the owner of the property fulfills the requirements under s. 70.35, personal property that is located in a rural enterprise development zone designated under s. 560.799 and owned by a ~~qualified~~ business <sup>certified to claim tax benefits under</sup> as defined in s. 560.799 (X)(x). For the purposes of s. 79.095, the exemption under this subsection does not apply to property that is otherwise exempt under this chapter.

**SECTION 4.** 70.35 (1) of the statutes is amended to read:

70.35 (1) To determine the amount and value of any personal property for which any person, firm or corporation should be assessed, any assessor may examine such person or the managing agent or officer of any firm or corporation under oath as to all such items of personal property, the taxable value thereof as defined in s. 70.34 if the property is taxable and the fair market value if the property is exempt under s. ss. 70.11 (39) and (39m) and 70.111 (26). In the alternative the assessor may require such person, firm or corporation to submit a return of such personal property and of the taxable value thereof. There shall be annexed to such return the declaration of such person or of the managing agent or officer of such firm or corporation that the statements therein contained are true.

History: 1977 c. 29 ss. 750, 1646 (3); 1983 a. 189 s. 329 (20); 1997 a. 237; 2001 a. 16.

**SECTION 5.** 70.35 (2) of the statutes is amended to read:

1           70.35 (2) The return shall be made and all the information therein requested  
2       given by such person on a form prescribed by the assessor with the approval of the  
3       department of revenue which shall provide suitable schedules for such information  
4       bearing on value as the department deems necessary to enable the assessor to  
5       determine the true cash value of the taxable personal property, and of the personal  
6       property that is exempt under ~~s. ss. 70.11 (39) and (39m)~~ and 70.111 (26), that is  
7       owned or in the possession of such person on January 1 as provided in s. 70.10. The  
8       return may contain methods of deriving assessable values from book values and for  
9       the conversion of book values to present values, and a statement as to the accounting  
10      method used. No person shall be required to take detailed physical inventory for the  
11      purpose of making the return required by this section.

History: 1977 c. 29 ss. 750, 1646 (3); 1983 a. 189 s. 329 (20); 1997 a. 237; 2001 a. 16.

12           **SECTION 6.** 70.36 (1m) of the statutes is amended to read:

13           70.36 (1m) Any person, firm or corporation that fails to include information on  
14      property that is exempt under ~~s. ss. 70.11 (39) and (39m)~~ and 70.111 (26) on the report  
15      under s. 70.35 shall forfeit \$10 for every \$100 or major fraction thereof that is not  
16      reported.

History: 1973 c. 90; 1991 a. 156, 316; 1997 a. 237; 2001 a. 16, 102.

17           **SECTION 7.** 70.995 (12r) of the statutes is amended to read:

18           70.995 (12r) The department of revenue shall calculate the value of property  
19      that is used in manufacturing, as defined in this section, and that is exempt under  
20      ~~s. ss. 70.11 (39) and (39m)~~ and 70.111 (26).

History: 1973 c. 90, 283, 333; 1975 c. 39, 144, 199, 200, 213, 224; 1977 c. 29 ss. 776 to 782, 1646 (3), 1647 (5m), 1656 (38); 1977 c. 31, 142, 272; 1977 c. 300 ss. 7, 8; 1977 c. 328, 377, 418, 447; 1979 c. 34 ss. 883m, 2102 (39) (g); 1979 c. 221; 1981 c. 20; 1983 a. 27; 1983 a. 275 s. 15 (8); 1985 a. 29; 1985 a. 120 s. 3202 (46); 1987 a. 27, 196, 399; 1989 a. 31; 1991 a. 39, 269; 1993 a. 307, 391; 1995 a. 227, 408; 1997 a. 35, 237, 250; 1999 a. 32; 2001 a. 16, 109; 2003 a. 33, 170.

21           **SECTION 8.** 71.05 (6) (a) 15. of the statutes is amended to read:

22           71.05 (6) (a) 15. The amount of the credits computed under s. 71.07 (2dd), (2de),  
23      (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), (5b), and (5d)

1 and not passed through by a partnership, limited liability company, or tax-option  
2 corporation that has added that amount to the partnership's, company's, or  
3 tax-option corporation's income under s. 71.21 (4) or 71.34 (1) (g).

History: 1987 a. 312; 1987 a. 411 ss. 42, 43, 45, 47 to 49, 51 to 53; 1989 a. 31, 46; 1991 a. 2, 37, 39, 269; 1993 a. 16, 112, 204, 263, 437; 1995 a. 27, 56, 209, 227, 261, 371, 403, 453; 1997 a. 27, 35, 39, 237; 1999 a. 9, 32, 44, 54, 65, 167; 2001 a. 16, 104, 105, 109; 2003 a. 85, 99, 119, 135, 183, 255, 289, 321, 326.

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4-3  
4 **SECTION 9. 71.07 (3w)** of the statutes is created to read:

5 **71.07 (3w) RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) Definitions.**

6 In this subsection:

7 1. "Base year" means the taxable year beginning during the calendar year prior  
8 to the calendar year in which the rural enterprise development zone in which the  
9 claimant is located takes effect.

10 2. "Claimant" means a person who is certified to claim tax benefits under s.  
11 560.799 and who files a claim under this subsection.

12 3. "Full-time employee" means an individual who is employed in a regular,  
13 nonseasonal job and who, as a condition of employment, is required to work at least  
14 2,080 hours per year, including paid leave and holidays.

15 4. "Rural enterprise development zone" means a zone designated under s.  
16 560.799.

17 5. "State payroll" means the amount of payroll apportioned to this state, as  
18 determined under s. 71.04 (6).

19 6. "Zone payroll" means the amount of state payroll that is attributable to  
20 compensation paid to individuals for services that are performed in a rural  
21 enterprise development zone or who are working from an office located in a rural  
22 enterprise development zone, if the work is incidental to any work that the individual  
23 performs within the rural enterprise development zone. "Zone payroll" does not  
24 include the amount of compensation paid to any individual that exceeds \$100,000.

1 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.  
2 ~~560.795~~<sup>560.795</sup>, a claimant may claim as a credit against the tax imposed under s. 71.02 or  
3 71.08 an amount calculated as follows:

4 1. Determine the amount that is the lesser of:

5 a. The claimant's zone payroll in the taxable year, minus the claimant's zone  
6 payroll in the base year.

7 b. The claimant's state payroll in the taxable year, minus the claimant's state  
8 payroll in the base year.

9 2. Subtract the ~~the~~ number of full-time employees that the claimant employed  
10 in the area that comprises the rural enterprise development zone in the base year  
11 from the number of full-time employees that the claimant employed in the rural  
12 enterprise development zone in the taxable year.

13 3. Multiply the amount determined under subd. 2., but not an amount less than  
14 zero, by \$30,000.

15 4. Subtract the amount determined under subd. 3. from the amount  
16 determined under subd. 1.

17 (c) *Limitations.* 1. If the allowable amount of the claim under this subsection  
18 exceeds the taxes ~~other~~<sup>wise</sup> due on the claimant's income under s. 71.02 or 71.08, the  
19 amount of the claim that is not used to offset those taxes shall be certified by the  
20 department of revenue to the department of administration for payment by check,  
21 share draft, or other draft drawn from the appropriation under s. 20.835 (2) (cm).

22 2. Partnerships, limited liability companies and tax-option corporations may  
23 not claim the credit under this subsection, but the eligibility for, and the amount of,  
24 the credit are based on their payment of amounts described under par. (b). A  
25 partnership, limited liability company or tax-option corporation shall compute the

amount of credit that each of its partners, members or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

(d) *Administration*. Section 71.28 (4) (g) and (h), as it applies to the credit under s. 71.28 (4), applies to the credit under this subsection.

**SECTION 10.** 71.08 (1) (intro.) of the statutes is amended to read:

71.08 (1) IMPOSITION. (intro.) If the tax imposed on a natural person, married couple filing jointly, trust, or estate under s. 71.02, not considering the credits under ss. 71.07 (1), (2dd), (2de), (2di), (2dj), (2dL), (2dr), (2ds), (2dx), (2fd), (3m), (3n), (3s), (3t), (3w), (5b), (5d), (6), and (9e), 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), and (3t), and (3w) and 71.47 (1dd), (1de), (1di), (1dj), (1dL), (1ds), (1dx), (1fd), (2m), (3), (3n), and (3t), and (3w) and subchs. VIII and IX and payments to other states under s. 71.07 (7), is less than the tax under this section, there is imposed on that natural person, married couple filing jointly, trust, or estate, instead of the tax under s. 71.02, an alternative minimum tax computed as follows:

History: 1987 a. 312, 411; 1989 a. 31; 1991 a. 39; 1995 a. 27, 209; 1997 a. 27, 237; 1999 a. 9; 2001 a. 109; 2003 a. 99, 135, 255, 326.

**SECTION 11.** 71.10 (4) (i) of the statutes is amended to read:

71.10 (4) (i) The total of claim of right credit under s. 71.07 (1), farmland preservation credit under subch. IX, homestead credit under subch. VIII, farmland tax relief credit under s. 71.07 (3m), farmers' drought property tax credit under s. 71.07 (2fd), rural enterprise development zone jobs credit under s. 71.07 (3w), earned income tax credit under s. 71.07 (9e), estimated tax payments under s. 71.09, and taxes withheld under subch. X.

History: 1987 a. 312; 1987 a. 411 ss. 94, 97, 176 to 179; 1987 a. 422 s. 4; 1989 a. 31, 56, 359; 1991 a. 39; 1993 a. 16, 184; 1995 a. 27, 209, 418, 453; 1997 a. 27, 63, 237, 248; 1999 a. 9, 167; 2001 a. 16, 109; 2003 a. 33, 99, 135, 176, 255, 321.

**SECTION 12.** 71.21 (4) of the statutes is amended to read:

30 No credit may be allowed under this subsection unless the claimant includes with the claimant's return a copy of the claimant's certification for tax benefits under 560.099(5).

*Rural enterprise development zone*

1           71.21 (4) Credits computed by a partnership under s. 71.07 (2dd), (2de), (2di),  
2           (2dj), (2dL), (2dm), (2ds), (2dx), (3g), (3n), (3s), (3t), (3w), and (5b) and passed through  
3           to partners shall be added to the partnership's income.

History: 1987 a. 312, 411; 1989 a. 31; 1993 a. 112; 1995 a. 27, 400; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255, 326.

4           **SECTION 13.** 71.26 (1) (g) of the statutes is created to read:

5           71.26 (1) (g) Income of a corporation that has all of its property in a rural  
6           enterprise development zone created under s. <sup>6</sup>590.799<sup>✓</sup>, if all of the corporation's  
7           payroll is zone payroll, as defined in s. 71.28 (3w) (a) 6<sup>✓</sup>, not including the amount of  
8           any income that exceeds an amount equal to 20 percent of the sum of the  
9           corporation's zone payroll and the adjusted basis of the corporation's property at the  
10          time that the property is first placed in service in the rural enterprise development  
11          zone.

12          **SECTION 14.** 71.26 (2) (a)<sup>✓</sup> of the statutes is amended to read:

13          71.26 (2) (a) *Corporations in general.* The "net income" of a corporation means  
14          the gross income as computed under the Internal Revenue Code as modified under  
15          sub. (3) minus the amount of recapture under s. 71.28 (1di) plus the amount of credit  
16          computed under s. 71.28 (1), (3), (4), and (5) minus, as provided under s. 71.28 (3) (c)  
17          7., the amount of the credit under s. 71.28 (3) that the taxpayer added to income  
18          under this paragraph at the time that the taxpayer first claimed the credit plus the  
19          amount of the credit computed under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm),  
20          (1ds), (1dx), (3g), (3n), (3t), (3w)<sup>✓</sup>, and (5b) and not passed through by a partnership,  
21          limited liability company, or tax-option corporation that has added that amount to  
22          the partnership's, limited liability company's, or tax-option corporation's income  
23          under s. 71.21 (4) or 71.34 (1) (g) plus the amount of losses from the sale or other  
24          disposition of assets the gain from which would be wholly exempt income, as defined

1 in sub. (3) (L), if the assets were sold or otherwise disposed of at a gain and minus  
2 deductions, as computed under the Internal Revenue Code as modified under sub.  
3 (3), plus or minus, as appropriate, an amount equal to the difference between the  
4 federal basis and Wisconsin basis of any asset sold, exchanged, abandoned, or  
5 otherwise disposed of in a taxable transaction during the taxable year, except as  
6 provided in par. (b) and s. 71.45 (2) and (5).

History: 1987 a. 312; 1987 a. 411 ss. 22, 124 to 129; 1989 a. 31, 336; 1991 a. 37, 39, 221, 269; 1993 a. 16, 112, 246, 263, 399, 437, 491; 1995 a. 27, 56, 351, 371, 380, 428; 1997 a. 27, 37, 184, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 106, 109; 2003 a. 33, 85, 99, 135, 255, 326.

7 **SECTION 15. 71.28 (3w)** of the statutes is created to read:

8 **71.28 (3w) RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) Definitions.**

9 In this subsection:

10 1. "Base year" means the taxable year beginning during the calendar year prior  
11 to the calendar year in which the rural enterprise development zone in which the  
12 claimant is located takes effect.

13 2. "Claimant" means a person who is certified to claim tax benefits under s.  
14 <sup>(5)</sup> 560.799 and who files a claim under this subsection.

15 3. "Full-time employee" means an individual who is employed in a regular,  
16 nonseasonal job and who, as a condition of employment, is required to work at least  
17 2,080 hours per year, including paid leave and holidays.

18 4. "Rural enterprise development zone" means a zone designated under s.  
19 560.799.

20 5. "State payroll" means the amount of payroll apportioned to this state, as  
21 determined under s. 71.25 (8).

22 6. "Zone payroll" means the amount of state payroll that is attributable to  
23 compensation paid to individuals for services that are performed in a rural  
24 enterprise development zone or who are working from an office located in a rural



① enterprise development zone, if the work is incidental to any work that the individual  
2 performs within the rural enterprise development zone. "Zone payroll" does not  
3 include the amount of compensation <sup>paid</sup> to any individual that exceeds \$100,000.  
^

4 (b) *Filing claims.* Subject to the limitations provided in this subsection and s.  
5 ~~560,795~~ <sup>560,799</sup> a claimant may claim as a credit against the tax imposed under s. 71.23 an  
6 amount calculated as follows:

7 1. Determine the amount that is the lesser of:

8 a. The claimant's zone payroll in the taxable year, minus the claimant's zone  
9 payroll in the base year.

10 b. The claimant's state payroll in the taxable year, minus the claimant's state  
11 payroll in the base year.

12 2. Subtract the <sup>g</sup>the number of full-time employees that the claimant employed  
13 in the area that comprises the rural enterprise development zone in the base year  
14 from the number of full-time employees that the claimant employed in the rural  
15 enterprise development zone in the taxable year.

16 3. Multiply the amount determined under subd. 2., but not an amount less than  
17 zero, by \$30,000.

18 4. Subtract the amount determined under subd. 3. from the amount  
19 determined under subd. 1.

20 (c) *Limitations.* 1. If the allowable amount of the claim under this subsection  
21 exceeds the taxes other <sup>wise</sup> due on the claimant's income under s. 71.23, the amount of  
22 the claim that is not used to offset those taxes shall be certified by the department  
23 of revenue to the department of administration for payment by check, share draft,  
24 or other draft drawn from the appropriation under s. 20.835 (2) (cm).

2. Partnerships, limited liability companies and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts described under par. (b). A partnership, limited liability company or tax-option corporation shall compute the amount of credit that each of its partners, members or shareholders may claim and shall provide that information to each of them. Partners, members of limited liability companies and shareholders of tax-option corporations may claim the credit in proportion to their ownership interests.

(d) *Administration.* Subsection (4) (g) and (h), as it applies to the credit under sub. (4), applies to the credit under this subsection.

**SECTION 16.** 71.30 (3) (f) of the statutes is amended to read:

71.30 (3) (f) The total of farmers' drought property tax credit under s. 71.28 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under s. 71.28 (2m), rural enterprise development zone jobs credit under s. 71.28 (3w), and estimated tax payments under s. 71.29.

History: 1987 a. 312; 1987 a. 411 ss. 144, 145, 182 to 185; 1989 a. 31, 56; 1991 a. 39; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 33, 99, 135, 255.

**SECTION 17.** 71.34 (1) (g) of the statutes is amended to read:

71.34 (1) (g) An addition shall be made for credits computed by a tax-option corporation under s. 71.28 (1dd), (1de), (1di), (1dj), (1dL), (1dm), (1ds), (1dx), (3), (3g), (3n), (3t), (3w), and (5b) and passed through to shareholders.

History: 1987 a. 312; 1987 a. 411 ss. 18, 23, 146; 1989 a. 31, 336; 1991 a. 39, 269; 1993 a. 16, 437; 1995 a. 27, 380, 428; 1997 a. 27, 37, 237; 1999 a. 9, 194; 2001 a. 16, 109; 2003 a. 33, 99, 135, 255, 326.

**SECTION 18.** 71.45 (2) (a) 10. of the statutes is amended to read:

71.45 (2) (a) 10. By adding to federal taxable income the amount of credit computed under s. 71.47 (1dd) to (1dx), (3n), (3w), and (5b) and not passed through by a partnership, limited liability company, or tax-option corporation that has added that amount to the partnership's, limited liability company's, or tax-option

30 No credit may be allowed under this subsection unless the claimant includes with the claimant's return a copy of the claimant's certification for tax benefits under 560.799(5)

1 corporation's income under s. 71.21 (4) or 71.34 (1) (g) and the amount of credit  
2 computed under s. 71.47 (1), (3), (3t), (4), and (5).

History: 1987 a. 312; 1989 a. 31, 336, 359; 1991 a. 37, 39, 269; 1993 a. 16, 112, 263, 437; 1995 a. 27, 56, 371, 380; 1997 a. 27, 37, 237; 1999 a. 9, 65; 1999 a. 150 s. 672; 1999 a. 167, 194; 2001 a. 16, 38, 109; 2003 a. 37, 85, 99, 135, 255, 326.

3 **SECTION 19. 71.47 (3w)** of the statutes is created to read:

4 **71.47 (3w) RURAL ENTERPRISE DEVELOPMENT ZONE JOBS CREDIT. (a) Definitions.**

5 In this subsection:

6 1. "Base year" means the taxable year beginning during the calendar year prior  
7 to the calendar year in which the rural enterprise development zone in which the  
8 claimant is located takes effect.

9 2. "Claimant" means a person who is certified to claim tax benefits under s.  
(5)

10 560.799 and who files a claim under this subsection. ✓

11 3. "Full-time employee" means an individual who is employed in a regular,  
12 nonseasonal job and who, as a condition of employment, is required to work at least  
13 2,080 hours per year, including paid leave and holidays.

14 4. "Rural enterprise development zone" means a zone designated under s.  
15 560.799. ✓

16 5. "State payroll" means the amount of payroll apportioned to this state, as  
17 determined under s. 71.45 (3) (b). ✓

18 6. "Zone payroll" means the amount of state payroll that is attributable to  
19 compensation paid to individuals for services that are performed in a rural  
20 enterprise development zone or who are working from an office located in a rural  
21 enterprise development zone if the work is incidental to any work that the individual

22 performs within the rural enterprise development zone. "Zone payroll" does not  
23 include the amount of compensation to any individual that exceeds \$100,000.  
paid

(b) *Filing claims.* Subject to the limitations provided in this subsection and s. ~~560.795~~<sup>560.799</sup>, a claimant may claim as a credit against the tax imposed under s. 71.43<sup>✓</sup> an amount calculated as follows:

1. Determine the amount that is the lesser of:

a. The claimant's zone payroll in the taxable year, minus the claimant's zone payroll in the base year.

b. The claimant's state payroll in the taxable year, minus the claimant's state payroll in the base year.

2. Subtract the ~~the~~<sup>9</sup> number of full-time employees that the claimant employed in the area that comprises the rural enterprise development zone in the base year from the number of full-time employees that the claimant employed in the rural enterprise development zone in the taxable year.

3. Multiply the amount determined under subd. 2., but not an amount less than zero, by \$30,000.

4. Subtract the amount determined under subd. 3. from the amount determined under subd. 1.

(c) *Limitations.* 1. If the allowable amount of the claim under this subsection exceeds the taxes other<sup>wise</sup> due on the claimant's income under s. 71.43<sup>✓</sup>, the amount of the claim that is not used to offset those taxes shall be certified by the department of revenue to the department of administration for payment by check, share draft, or other draft drawn from the appropriation under s. 20.835 (2) (cm).<sup>✓</sup>

2. Partnerships, limited liability companies, and tax-option corporations may not claim the credit under this subsection, but the eligibility for, and the amount of, the credit are based on their payment of amounts described under par. (b). A partnership, limited liability company or tax-option corporation shall compute the

1 amount of credit that each of its partners, members or shareholders may claim and  
2 shall provide that information to each of them. Partners, members of limited liability  
3 companies and shareholders of tax-option corporations may claim the credit in  
4 proportion to their ownership interests.

5 (d) *Administration.* Section 71.28 (4) (g) and (h), as it applies to the credit under  
6 s. 71.28 (4), applies to the credit under this subsection.

7 **SECTION 20.** 71.49 (1) (f) of the statutes is amended to read:

8 71.49 (1) (f) The total of farmers' drought property tax credit under s. 71.47  
9 (1fd), farmland preservation credit under subch. IX, farmland tax relief credit under  
10 s. 71.47 (2m), rural enterprise development zone jobs credit under s. 71.47 (3w), and  
11 estimated tax payments under s. 71.48.

12 *History:* 1987 a. 312, 411; 1989 a. 31, 56; 1991 a. 39; 1995 a. 27, 209; 1997 a. 27; 2001 a. 16; 2003 a. 99, 135, 255.

13 **SECTION 21.** 73.06 (3) of the statutes is amended to read:

14 73.06 (3) The department of revenue, through its supervisors of equalization,  
15 shall examine and test the work of assessors during the progress of their assessments  
16 and ascertain whether any of them is assessing property at other than full value or  
17 is omitting property subject to taxation from the roll. The department and such  
18 supervisors shall have the rights and powers of a local assessor for the examination  
19 of persons and property and for the discovery of property subject to taxation. If any  
20 property has been omitted or not assessed according to law, they shall bring the same  
21 to the attention of the local assessor of the proper district and if such local assessor  
22 shall neglect or refuse to correct the assessment they shall report the fact to the board  
23 of review. If it discovers errors in identifying or valuing property that is exempt  
24 under s. ss. 70.11 (39) or (39m) and 70.111 (26), the department shall change the  
specification of the property as taxable or exempt and shall change the value of the

430 No credit may be allowed under this subsection unless the claimant  
includes with the claimant's return a copy of the claimant's certification  
for tax benefits under 50 560.799(5)©

property. All disputes between the department, municipalities and property owners about the taxability or value of property that is reported under s. 79.095 (2) (a) or of the property under s. 70.995 (12r) shall be resolved by using the procedures under s. 70.995 (8).

History: 1973 c. 90; 1977 c. 449; 1981 c. 20; 1983 a. 275 ss. 11, 15 (3) to (6); 1983 a. 538 s. 269 (3); 1987 a. 399; 1997 a. 237; 2001 a. 16.

**SECTION 22.** 76.025 (1) of the statutes is amended to read:

76.025 (1) The property taxable under s. 76.13 shall include all franchises, and all real and personal property of the company used or employed in the operation of its business, excluding property that is exempt from the property tax under s. ss. 70.11 (39) or (39m) and 70.111 (26), such motor vehicles as are exempt under s. 70.112 (5) and treatment plant and pollution abatement equipment exempt under s. 70.11 (21) (a). The taxable property shall include all title and interest of the company referred to in such property as owner, lessee or otherwise, and in case any portion of the property is jointly used by 2 or more companies, the unit assessment shall include and cover a proportionate share of that portion of the property jointly used so that the assessments of the property of all companies having any rights, title or interest of any kind or nature whatsoever in any such property jointly used shall, in the aggregate, include only one total full value of such property.

History: 1997 a. 35 ss. 267 to 269, 271, 272; 1999 a. 9; 2001 a. 16.

**SECTION 23.** 76.81 of the statutes is amended to read:

**76.81 Imposition.** There is imposed a tax on the real property of, and the tangible personal property of, every telephone company, excluding property that is exempt from the property tax under s. ss. 70.11 (39) or (39m) and 70.111 (26), motor vehicles that are exempt under s. 70.112 (5), property that is used less than 50% 50 percent in the operation of a telephone company, as provided under s. 70.112 (4) (b), and treatment plant and pollution abatement equipment that is exempt under s.

1 70.11 (21) (a). Except as provided in s. 76.815, the rate for the tax imposed on each  
2 description of real property and on each item of tangible personal property is the net  
3 rate for the prior year for the tax under ch. 70 in the taxing jurisdictions where the  
4 description or item is located. The real and tangible personal property of a telephone  
5 company shall be assessed as provided under s. 70.112 (4) (b).

History: 1995 a. 351; 1997 a. 237; 2001 a. 16.

6 **SECTION 24.** 77.54 (41) of the statutes is amended to read:

7 77.54 (41) The gross receipts from the sale of building materials, supplies and  
8 equipment to; and the storage, use or other consumption of those kinds of property  
9 by; owners, contractors, subcontractors or builders if that property is acquired solely  
10 for or used solely in, the construction, renovation or development of property that  
11 would be exempt under s. 70.11 (36) or that will be used by a qualified business in  
12 a rural enterprise development zone under s. 560.799.

History: 1971 c. 64, 154, 215, 311; 1973 c. 90, 156, 240; 1975 c. 39, 96, 102, 146, 200; 1977 c. 29; 1977 c. 83 ss. 13, 26; 1977 c. 250, 368, 418; 1979 c. 1, 34, 87, 174; 1981 c. 20; 1981 c. 79 s. 18; 1981 c. 96 s. 67; 1981 c. 264; 1981 c. 282 s. 47; 1981 c. 317; 1983 a. 27 ss. 1284d to 1284np, 2202 (38); 1983 a. 189 ss. 101, 106, 329 (5), (12), (13); 1983 a. 192, 287, 405, 426, 498, 510, 538, 544; 1985 a. 29, 149, 332; 1987 a. 27; 1987 a. 312 s. 17; 1987 a. 399; 1989 a. 31, 238, 270, 335, 359; 1991 a. 37, 39, 269, 316; 1993 a. 16, 263, 332; 1995 a. 27, 125, 225, 227; 1997 a. 27, 35, 41, 184, 237, 291; 1999 a. 9, 65, 83; 1999 a. 150 s. 672; 1999 a. 167; 2001 a. 16, 103, 109; 2003 a. 99, 128.

13 **SECTION 25.** 77.54 (48) of the statutes is created to read:

14 77.54 (48) The gross receipts from the sale of and the storage, use, or other  
15 consumption of tangible personal property or taxable services that are used or  
16 consumed primarily in a rural enterprise development zone under s. 560.799.

17 **SECTION 26.** 77.92 (4) of the statutes is amended to read:

18 77.92 (4) “Net business income,” with respect to a partnership, means taxable  
19 income as calculated under section 703 of the Internal Revenue Code; plus the items  
20 of income and gain under section 702 of the Internal Revenue Code, including taxable  
21 state and municipal bond interest and excluding nontaxable interest income or  
22 dividend income from federal government obligations; minus the items of loss and  
23 deduction under section 702 of the Internal Revenue Code, except items that are not

deductible under s. 71.21; plus guaranteed payments to partners under section 707 (c) of the Internal Revenue Code; plus the credits claimed under s. 71.07 (2dd), (2de), (2di), (2dj), (2dL), (2dm), (2dr), (2ds), (2dx), (3g), (3s), (3n), (3t), (3w), ~~S~~ and (5b); and plus or minus, as appropriate, transitional adjustments, depreciation differences, and basis differences under s. 71.05 (13), (15), (16), (17), and (19); but excluding income, gain, loss, and deductions from farming. "Net business income," with respect to a natural person, estate, or trust, means profit from a trade or business for federal income tax purposes and includes net income derived as an employee as defined in section 3121 (d) (3) of the Internal Revenue Code.

History: 1989 a. 335; 1991 a. 39, 269; 1993 a. 16, 112, 490; 1995 a. 27, 209; 1997 a. 27; 1999 a. 9; 2001 a. 16; 2003 a. 99, 135, 255, 326.

**SECTION 27.** 79.03 (3) (b) 3. of the statutes is amended to read:

79.03 (3) (b) 3. "Full valuation" means the full value of property that is exempt under ~~s.~~ <sup>ss.</sup> 70.11 (39) and (39m) <sup>and 70.111 (26)</sup> as determined under s. 79.095 (3) plus the full value of all taxable property for the preceding year as equalized for state tax purposes, except that for municipalities the value of real estate assessed under s. 70.995 is excluded. Value increments under s. 66.1105 plus the full value of property that is exempt under s. ~~ss.~~ 70.11 (39) and (39m) <sup>✓</sup> and 70.111 (26) that would otherwise be part of a value increment are included for municipalities but excluded for counties. Environmental remediation value increments under s. 66.1106 are included for municipalities and counties that create the environmental remediation tax incremental district and are excluded for units of government that do not create the district. If property that had been assessed under s. 70.995 and that has a value exceeding ~~10%~~ 10 percent of a municipality's value is assessed under s. 70.10, ~~30%~~ 30 percent of that property's full value is included in "full valuation" for purposes of the shared revenue payments in the year after the assessment under s. 70.10, ~~65%~~



1 65 percent of that property's full value is included in "full valuation" for purposes of  
2 the shared revenue payments in the year 2 years after the assessment under s. 70.10  
3 and <sup>100 percent</sup> ~~100%~~ of that property's full value is included in "full valuation" for purposes of  
4 subsequent shared revenue payments.

History: 1971 c. 125, 215; 1973 c. 90; 1975 c. 39; 1977 c. 29, 203, 418; 1979 c. 1; 1979 c. 34 ss. 903s to 905m, 2102 (46) (d); 1979 c. 221; 1981 c. 20, 93, 314, 317; 1983 a. 27, 189; 1985 a. 29, 120; 1987 a. 27, 399; 1989 a. 31, 56, 336; 1991 a. 39, 269; 1993 a. 16, 437, 490; 1995 a. 27; 1997 a. 27, 164, 237; 1999 a. 9; 1999 a. 150 s. 672; 2001 a. 16, 109; 2003 a. 33, 320.

5 **SECTION 28.** 79.095 (2) (a) of the statutes is amended to read:

6 79.095 (2) (a) On or before May 1, the value of the property that is exempt under  
7 ~~s. ss. 70.11 (39) and (39m) and 70.112~~ <sup>1</sup> (26) in each taxing jurisdiction for which the  
8 municipality assesses property.

History: 1997 a. 237; 2001 a. 16, 30.

9 **SECTION 29.** 79.095 (3) of the statutes is amended to read:

10 79.095 (3) REVIEW BY DEPARTMENT. The department shall adjust each rate  
11 reported under sub. (2) (b) to a full-value rate. The department shall review and  
12 correct the information submitted under sub. (2) (a), shall determine the full value  
13 of all of the property reported under sub. (2) (a) and of all the property under s. 70.995  
14 (12r) and, on or before October 1, shall notify each taxing jurisdiction of the full value  
15 of the property that is exempt under ~~s. ss. 70.11 (39) and (39m) and 70.112~~ <sup>91</sup> (26) and  
16 that is located in the jurisdiction. The department shall adjust the full value that  
17 is reported to taxing jurisdictions under this subsection in the year after an error  
18 occurs or a value has been changed due to an appeal. All disputes between the  
19 department and municipalities about the value of the property reported under sub.  
20 (2) (a) or of the property under s. 70.995 (12r) shall be resolved by using the  
21 procedures under s. 70.995 (8).

History: 1997 a. 237; 2001 a. 16, 30.

22 **SECTION 30.** 79.095 (4) of the statutes is amended to read:

1           79.095 (4) PAYMENT. The department shall calculate the payments due each  
2           taxing jurisdiction under this section by multiplying the full value as of the January  
3           1 of the preceding year of the property that is exempt under ~~s. ss. 70.11~~ (39) and (39m)  
4           <sup>1</sup>~~and 70.11<sub>2</sub>~~ (26) and that is located in the jurisdiction by the full-value gross tax rate  
5           of the jurisdiction for the preceding year. The department shall certify the amount  
6           of the payment due each taxing jurisdiction to the department of administration,  
7           which shall make the payments on or before the first Monday in May.

History: 1997 a. 237; 2001 a. 16, 30.

8           **SECTION 31.** 121.06 (4) of the statutes is amended to read:

9           121.06 (4) For purposes of computing state aid under s. 121.08, equalized  
10          valuations calculated under sub. (1) and certified under sub. (2) shall include the full  
11          value of property that is exempt under ~~s. ss. 70.11~~ (39) and (39m) <sup>1</sup>~~and 70.11<sub>2</sub>~~ (26) as  
12          determined under s. 79.095 (3).

History: 1973 c. 61, 90; 1977 c. 29 ss. 1084, 1647 (13); 1977 c. 300 s. 8; 1981 c. 20; 1983 a. 27; 1985 a. 225; 1987 a. 403 s. 256; 1989 a. 336; 1993 a. 307; 1995 a. 27 ss. 4044, 9145 (1); 1997 a. 27, 113, 237; 2001 a. 16.

(END)

13  
INSERT  
18-13KWB

**2005-2006 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1297/P1ins  
CTS:.....

Insert 18-139A

SECTION 560.799 of the statutes is created to read:

**560.799 Rural enterprise development zone. (1) DEFINITIONS.** In this section:

(a) "Local governing body" has the meaning given in s. 560.70 (4).

(b) "~~Municipality~~ <sup>Political subdivision</sup>" means a city, village, town, or county.

(c) "Tax benefits" means ~~\*\*\*\*~~

Insert A

(2) APPLICATION; DEVELOPMENT PLAN. (a) The local governing bodies of one or more municipalities may apply to the department for designation of an area as a rural enterprise development zone, if the proposed zone includes land within the boundaries of the ~~municipality~~ <sup>political subdivision</sup> or ~~municipalities~~ <sup>political subdivision</sup> applying for designation. An application shall include all of the following:

1. A development plan under par. (b).

2. A copy of the resolution or ordinance adopted by each municipality in which the proposed zone would be located in which the municipality consents to providing the local tax exemptions under \*\*\*\*.

(b) A development plan shall include all of the following:

1. A map of the proposed zone that shows the physical boundaries of the proposed zone, the size of the zone in acres, and the present uses and condition of land and structures in the proposed zone.

2. Evidence of support in the proposed zone for the proposed designation, including support from local government, the public, educational institutions, and business groups.

3. A description of the applicant's or applicants' goals for, and proposed methods for achieving, increased economic opportunity and expansion, infrastructure improvements, reduced regulatory burdens, and increased job training opportunities.

4. A description of current social, economic, and demographic characteristics of the proposed zone and of the anticipated improvements in education, health, human services, and employment that would result from designation as a rural enterprise development zone.

5. A description of anticipated economic and other activity in the proposed zone, including industrial uses, commercial or retail uses, and residential uses.

6. A proposal as to the time period in which the designation would remain in effect.

7. Any additional information required by the department.

(3) DESIGNATION OF RURAL ENTERPRISE DEVELOPMENT ZONES; CRITERIA. (a) The department may, upon applications by a <sup>political subdivision</sup> ~~municipality~~ or <sup>political subdivisions</sup> ~~municipalities~~, designate not more than 10 rural enterprise development zones. The department may designate an area as a rural enterprise development zone if all of the following apply:

1. The area does not exceed 5,000 acres.

2. The area does not include any part of a metropolitan community, as defined in s. 66.0201 (2) (c).

(b) In determining whether to grant an application to designate an area under par. (a), the department shall consider all of the following:

1. Indicators of the area's economic need, which may include data regarding household income, average wages, the condition of property, housing values,

1 population decline, job losses, infrastructure and energy support, and the rate of  
2 business development.

3 2. Indicators of the likelihood of success in achieving the goals under sub. (2)  
4 (b) 3., which may include the strength and viability of the development plan; the level  
5 of creativity and innovation reflected in the development plan; the strength of  
6 support for the proposal in the proposed zone; the existing resources available to the  
7 area; the effect of designation on other initiatives and programs to promote economic  
8 and community development in the area, including regional initiatives and  
9 programs; the extent to which designation will ease regulatory burdens; the extent  
10 to which the development plan links job creation and job training; and the extent to  
11 which the development plan focuses on creating high-paying jobs.

12 (4) TIME LIMITS; REPORTING. (a) A designation under sub. (3) may remain in  
13 effect for no more than 12 years.

14 (b) If the department designates an area as a rural enterprise development  
15 zone, the governing bodies of the <sup>political subdivision</sup> ~~municipality~~ or <sup>political subdivisions</sup> ~~municipalities~~ that applied for  
16 designation shall, during the time that the designation is in effect, annually submit  
17 a report to the department, in a form and at a time prescribed by the department,  
18 describing the <sup>political subdivision</sup> ~~municipalities~~ or <sup>political subdivisions</sup> ~~municipalities~~ progress in meeting the goals  
19 contained in the development plan under sub. (2) (b) 3., and any additional  
20 information required by the department.

21 (5) CERTIFICATION. The department may certify for tax benefits any of the  
22 following:

23 (a) A business that begins operations in a rural enterprise development zone.

24 (b) A business that relocates to a rural enterprise <sup>development</sup> zone from outside this state.

(c) A business that relocates to a rural enterprise <sup>development</sup> zone from another location in this state, but only if any of the following apply:

1. The business will increase the number of full-time employees employed in the <sup>a</sup> rural enterprise development zone by at least 15 percent, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of employment.

2. The business makes a capital investment in property located in the rural enterprise development zone and the value of the capital investment is equal to at least 10 percent of the business's gross revenues in the preceding tax year, and the business enters into an agreement with the department to claim tax benefits only for years during which the business maintains the increased level of capital investment.

(6) OTHER DUTIES. <sup>of commerce</sup> ~~No IT~~

(a) The department <sup>of commerce</sup> shall notify the department of revenue when the department <sup>of commerce</sup> certifies a business to receive tax benefits.

(b) The department <sup>of commerce</sup> shall revoke a certification under sub. (5) if the business does any of the following:

1. Supplies false or misleading information to obtain tax benefits.

2. Leaves the rural enterprise development zone to conduct substantially the same business outside of the rural enterprise development zone.

3. Ceases operations in the rural enterprise development zone and does not renew operation of the business or a similar business in the rural enterprise development zone within 12 months.

(c) The department <sup>of commerce</sup> shall notify the department of revenue within 30 days of a revocation under par. (b).

(d) The department may require a business to repay any tax benefits the business claims for a year in which the business failed to maintain employment or capital investment levels required by an agreement under sub. (5)(c) <sup>Δ</sup>

<sup>e</sup>  
(d) The department ~~annually~~ <sup>not commerce</sup> shall verify information submitted to the department under ~~\*\*\*~~ <sup>Δ</sup>

§ 71.07(3w)<sup>✓</sup>, 71.028(3w)<sup>✓</sup>, or 71.047(3w)<sup>✓</sup>

**2005-2006 DRAFTING INSERT  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1297/P1insMES  
JK/MES/MJL/CTS:.....

**INSERT 4-3**

**SECTION 4.** 71.05 (6) (b) 35. of the statutes is created to read:

71.05 (6) (b) 35. For an individual who owns or operates a trade or business in a rural enterprise development zone, as defined in s. 71.07 (3w) (a) 4., up to 20 percent of the income that the individual derives from the operation of his or her trade or business in the rural enterprise <sup>development</sup> zone.

**SECTION 2.** 71.05 (6) (b) 36. of the statutes is created to read:

71.05 (6) (b) 36. To the extent that the gains are not excluded from taxation under subd. 9., for an individual, 100% of the capital gain as computed under the Internal Revenue Code if the gain is one of the following, provided that the capital gains and capital losses for all assets shall be netted before application of the percentage:

a. The gain derived from the sale or exchange of real property that is located in a rural enterprise development zone, as defined in s. 71.07 (3w) (a) 4., and used by a <sup>certified</sup> ~~qualified~~ business, <sup>under 5600799(5)</sup> ~~as defined in s. 5600799(5)~~ in the zone. If the real property was held by the individual during a period when the zone was not designated, the gain must be multiplied by a fraction, the numerator of which is the number of days that the real property was held by the individual during the period the zone designation was in effect and the denominator of which is the total number of days that the real property was held by the individual.

b. The gain derived from the sale or exchange of property, other than real property, that is used by a <sup>certified</sup> ~~qualified~~ business, <sup>under 5600799(5)</sup> ~~as defined in s. 5600799(5)~~ that is located in a rural enterprise development zone, as defined in s. 71.07 (3w) (a) 4. If the property



was held by the individual during a period when the zone was not designated, the gain must be multiplied by a fraction, the numerator of which is the number of days that the property was held by the individual during the period the zone designation was in effect and the denominator of which is the total number of days that the property was held by the individual.

END OF INS 4-3

INSERT - 18-13(B)

**SECTION 3. Nonstatutory provisions.**

(1) INDIVIDUAL INCOME TAX, CAPITAL GAINS EXEMPTIONS. The treatment of sections 71.05 (6) (b) 35. and 36. of the statutes first applies to taxable years beginning on January 1 of the year in which this subsection takes effect, except that if this subsection takes effect after July 31 the treatment of sections 71.05 (6) (b) 35. and 36. of the statutes first applies to taxable years beginning on January 1 of the year following the year in which this subsection takes effect.

Insert A to insert 18-13A

(No ff) the property tax <sup>exemption</sup> under so 70<sup>0</sup>111(26)<sup>✓</sup> the income tax  
<sup>modifications</sup> under so 76<sup>0</sup>5(6)(2) 35<sup>0</sup> and 36<sup>0</sup><sup>✓</sup> the income and  
franchise tax credits under so 71.07(3w)<sup>✓</sup> 76<sup>0</sup>28(3w)<sup>✓</sup> and  
76<sup>0</sup>47(3w)<sup>✓</sup> and the sales and use tax <sup>exemptions</sup> under so 77<sup>0</sup>54(41)<sup>✓</sup> and (48)<sup>0</sup><sup>✓</sup>

**DRAFTER'S NOTE  
FROM THE  
LEGISLATIVE REFERENCE BUREAU**

LRB-1297/P1/dnc/CS  
CTS: 1/.....  
Wlj

Representative Suder:

In order to limit this program to rural areas, this draft provides that a rural enterprise development zone may not include any part of a metropolitan community.

"Metropolitan community" is a term borrowed from current municipal law, and means

\* any city having a population of 25,000 or more or any incorporated municipalities  
\* whose boundaries are within 5 miles of each other and whose populations aggregate

25,000, plus all the contiguous area which has a population density of 100 persons or more per square mile, or which DOA has determined on the basis of population trends

and other pertinent facts will have a minimum density of 100 persons per square mile

\* within 3 years? Is this okay?

9

Christopher T. Sundberg

Legislative Attorney

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E-mail: christopher.sundberg@legis.state.wi.us

**DRAFTER'S NOTE**  
**FROM THE**  
**LEGISLATIVE REFERENCE BUREAU**

LRB-1297/P1dn  
CTS:wlj:jf

February 15, 2005

Representative Suder:

To limit this program to rural areas, this draft provides that a rural enterprise development zone may not include any part of a metropolitan community. "Metropolitan community" is a term borrowed from current municipal law, and means "any city having a population of 25,000 or more or any two incorporated municipalities whose boundaries are within five miles of each other and whose populations aggregate 25,000, plus all the contiguous area which has a population density of 100 persons or more per square mile, or which DOA has determined on the basis of population trends and other pertinent facts will have a minimum density of 100 persons per square mile within three years." Is this okay?

Christopher T. Sundberg  
Legislative Attorney  
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2/14/05 Guder / LRB 05-1297

Redraft:

- wants another P draft, but will also need introducer by the end of next week.

✓ - wants written assurance regarding Uniformity Clause issue.  
Joe D-note

Joe will call - wants Fiscal Bureau to estimate cost as drafted

- ✓ - wants to make sure smaller companies are eligible (mentioned a problem with tech. ser. zones?)

1. of 1st class city. - wants to define "rural" to excl. first class cities and cities w/ pop. less than 200K. Would still require pref. to smaller, economically disadvantaged communities. No minimum density requirement. Revise (3) (b) to make preference explicit.  
2. of city w/ pop. > 200,000? msa?

- ✓ - make sure "zone payroll" doesn't prohibit salaries > the cap (\$100K?)

→ Aiming for passage before budget.

✓ — P. 20 1. 12 : strike "educational inst"

✓ — P. 21 1. 3 : strike

✓ — P. 22 1. 20 : change to 10%